STATEMENT OF THE SECRETARY OF DEFENSE

DICK CHENEY

BEFORE THE

HOUSE ARMED SERVICES COMMITTEE

IN CONNECTION WITH

THE FY 1993 BUDGET FOR THE DEPARTMENT OF DEFENSE

FEBRUARY 6, 1992

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Mr. Chairman, members of the Committee, thank you for this opportunity to discuss the Administration's budget request for fiscal year (FY) 1993.

When I testified on Capitol Hill last February, America was at war in the Middle East, our most significant test of arms in twenty years. In the Soviet Union, Communist hard-liners had cracked down violently on Baltic independence movements. Soviet strategic modernization programs continued, while plans for Soviet economic reform lay dead at birth. Even so, the Department announced plans to reduce dramatically America's armed forces pursuant to a new, regional defense strategy.

Last year Chairman Powell and I detailed our proposed multi-year, 25 percent cut in U.S. forces. By 1995 those cuts would reduce from 1990 levels our active duty Army force structure by roughly a third, from 18 divisions to 12; our Air Force by a quarter, from 36 fighter wing equivalents to 26, including a cut of 9 active and 1 reserve fighter wings; our Navy by a fifth, from 546 ships to only 451; our reserves and civilians by over 200,000 each. We had announced plans to cancel 100 weapons programs and to close or realign well over 200 facilities worldwide. These cuts would reduce the U.S. military to its lowest end strength since before the Korean War; they would help cut our share of the Federal budget, once as high as 57 percent, to below 18 percent, the lowest level in over 50 years. The defense budget would fall by 1997 to 3.4 percent of GNP, by far the lowest level since before Pearl Harbor.

We based those sweeping reductions not on the somewhat sobering prospects of the early winter of 1991, when war loomed in the Gulf and Soviet reformers were under siege, but on the promise of change symbolized by the fall of the Berlin Wall fifteen months earlier, and on the new, regional defense strategy President Bush announced in Aspen, Colorado on August 2, 1990 -- the day Saddam Hussein invaded Iraq. That strategy was designed not simply to react to probable reductions in the Soviet threat, but to help shape the future security environment. With the passing of the traditional Cold War threat -- a global war beginning on short notice in Europe -- we could identify some missions and forces no longer needed. But we built our regional defense strategy and the Base Force to implement it not by cutting down from Cold War levels, but by judging what would be needed to further democracy and our national security interests in a post-Cold War world. We took a completely fresh look, a zero-based look at our security needs.

Shaping our future security environment means more than simply accounting for changes in anticipated threats. World events repeatedly defy even near-term predictions. In early 1989 few predicted Eastern Europe would escape Soviet domination

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by Thanksgiving. In early 1990 few predicted America would be headed for war by Labor Day, or would have half a million troops in Saudi Arabia by New Year's Day. Even at the end of that war, few appreciated the strength of Saddam's nuclear program. In early 1991, few predicted the Soviet Union would be gone by Christmas. In earlier times, we failed to predict the Soviet development of atomic weapons and Sputnik, the North Korean invasion of the South, or the Japanese attack on Pearl Harbor.

These are significant failures to predict major events over very short time frames; our ability to predict events over longer periods is even less precise. The history of the twentieth century is replete with instances of major, unanticipated strategic shifts over 5, 10, or 20 years. Sophisticated modern forces take many years to build. A proper appreciation for uncertainty is therefore a critical part of a realistic defense strategy that builds forces today for crises 5, 10, or 20 years away.

But America cannot base its future security on just a shaky record of prediction or a prudent recognition of uncertainty. Sound defense planning seeks to help shape the future. That is what the President's regional defense strategy seeks to do.

The containment strategy we pursued for the past 40 years successfully shaped the world we see today. It is important for all of us to remember why we have enjoyed the favorable changes in the world in the last three years. There are many causes to which we can point, including the fundamental flaws of Communism. But a necessary foundation for the liberation of Eastern Europe or the phenomenal changes under way in the former Soviet Union was the commitment of the United States and our allies through forty years of Cold War. Our refusal to be intimidated by the enormous buildup in Soviet military power during the Cold War, our willingness to match that buildup, our deployment of forces forward in Europe and the Pacific that allowed democracy to develop and flourish in so many parts of the world, all these contributed to the very substantial peaceful changes that we see occurring today in the world.

We can now reduce the overall size of our forces and defense budget in light of those changes. But it is important for us to remember that future peace and stability in the world will continue to depend in large measure upon our willingness to deploy forces overseas, in Europe, Southwest Asia, and the Pacific, and to retain high-quality forces here at home. These forces are critical to allow us to defend our national interests and to come to the aid of our friends should they again be threatened. The future may also come to depend on others' perceptions of our will and capability to reconstitute forces and to deter or defend against strategic attack, should that prove necessary. Maintaining that posture, maintaining the U.S. presence around the world, and maintaining the capacity to respond in a crisis will be absolutely crucial in heading off future crises and dissuading future aggressors from challenging

our vital interests. That is the purpose of the regional defense strategy.

The regional strategy has already shaped our future for the better. Our success in organizing an international coalition in the Persian Gulf against Saddam Hussein kept a critical region from the control of a ruthless dictator bent on developing nuclear, biological, and chemical weapons, and harming Western interests. Instead of a more radical Middle East under Saddam's influence and a nuclear confrontation in that volatile region, our ties with moderate states are stronger, and Arabs and Israelis are for the first time in many years sitting down to discuss peace. Instead of Saddam holding Kuwait hostage, our hostages in Lebanon have been freed. Instead of democratic countries held hostage to Saddam's influence over Persian Gulf oil, he barely holds on to power in Iraq.

We can help shape our future environment and hedge against both anticipated threats and uncertainty. We can do it safely, and we can do it relatively cheaply compared to what we've had to spend in the past. We can do it in part because of what we stand for as a nation, because our fundamental belief in democracy and human rights gives other nations confidence that we will not misuse our significant military power. And we can do it in part because we have been true to our word. We stood by freedom through forty painful years of the Cold War, and we stood by it again in the first crisis of the post-Cold War world.

Our successes have pushed back in several ways the threats we may face. The threats have become remote, so remote they are difficult to discern. That's a very desirable situation, one we should work to maintain. For we haven't eliminated future threats or the advantages of shaping the environment to preclude them.

We lived for forty years of the Cold War in a situation where strategists would describe our position as lacking strategic depth. With only a week or two of warning, we faced the prospects of a Warsaw Pact offensive that would in short order subjugate Europe and push us to the brink of nuclear war. The democratic liberation of Eastern Europe pushed back the threat from the heart of Europe. The passing of the Soviet Union, the creation of independent states in Russia and Ukraine, and the ascendancy of democratic forces in the Commonwealth have not only reversed the basis of a massive offensive threat to the West, but have opened the way to a whole new strategic relationship in Eastern Europe and Eurasia. Today we have no global challenger, except with respect to strategic nuclear forces. No country is our match in conventional military technology or the ability to apply it. There are no significant alliances hostile to our interests.

To the contrary, the strongest and most capable countries in the world are our friends. No region of the world critical to our interests is under hostile nondemocratic domination. With

the defeat of Saddam Hussein, near-term threats in these regions are small relative to our capabilities and those of our allies. We have in fact won great depth for our strategic position. The threats to our security have become more distant, not only physically but in time as well. A challenger to our security would have to overcome our formidable alliances and their qualitative advantages that we displayed so impressively in Desert Storm. The events of the last three years have provided America with strategic depth in which to defend our national interests, something we have lacked for decades.

Because we now face neither a global threat nor a hostile, nondemocratic power dominating a region critical to our interests, we have the opportunity to meet threats at lower levels and lower costs. We can respond in a graduated manner to preclude the reemergence of a global threat. Our tools include political and economic steps, as well as security efforts to prevent the emergence of a nondemocratic aggressor in critical regions. On the security side, through forward presence, sustained crisis response capabilities, and a continued technological edge, we can help to preclude potential aggressors from beginning regional arms races, raising regional tensions, or gaining a dangerous foothold toward hostile regional domination. We can maintain the alliances and military capabilities necessary to our regional strategy. We can provide more security at a reduced cost.

We have gained so much strategic depth that the threats to our security are now relatively distant, so much so that they are harder to define with precision. It is important that we take advantage of this position and preserve those capabilities necessary to keep threats small. If we fail to maintain the necessary level of military power, we are likely to find that a hostile power fills the vacuum and presents a regional challenge once again. This in turn will force us to higher levels of defense expenditures, at a higher level of threat to our security and a higher risk of war. Our efforts in the Persian Gulf successfully regained our strategic depth in that critical region, by preventing Saddam from consolidating an even more dangerous position and by setting back his military threat. This has allowed us to continue our planned reduction in U.S. military forces. But the Gulf effort was costly. We would do better in the future if our clear will and capabilities preclude arms races or aggression in regions critical to our interests before a threat is posed.

As a nation, we paid dearly in the past for letting our capabilities fall and our will be questioned. Four short years after our resounding global victory in World War II, we were nearly pushed off the Korean peninsula by a third-rate power. We paid dearly for our rush to disarm and our failure to accept a leadership role in the region.

Neglecting our defenses and our proper role can be dangerous, even when there is time to begin to rebuild forces. In 1939, the U.S. began to rebuild its armed forces. By 1941,

we had begun to build 36 divisions with 1.6 million ground combat troops. But by then it was too late to head off war; others had already built their plans in anticipation of continued American irresoluteness. There is a moment in time when a small, ready force can preclude a conflict or a hostile move that, once lost, cannot be recaptured by many thousands of soldiers on the edge of combat.

If a new antagonistic superpower or alliance of hostile regional powers emerge in the coming years, we will have the lead time needed to counter the new threat; but our defense costs will be much higher, and our security may revert to the more tenuous days of the Cold War. We must do what we can to maintain the strategic depth we have won through 40 years of the Cold War.

We were resolute in the Cold War. And we have gained greater security for our commitment. We were resolute in the Persian Gulf War. And we have forestalled what would have become a much larger danger there. Now, as we reduce our forces, we must not forget the deterrent value of highly capable, although smaller forces. We must not ignore the importance of shaping -- at least in those regions critical to us -- an environment within which peace and democracy and prosperity can flourish.

Today, we face again a fundamental choice. We can make the investments required to maintain the strategic depth that we have won -- a much smaller investment than we made to secure it. Or we can fail to secure these advantages, and eventually the threats will not be remote, they will not be vague, and we will not have the alliances and the capabilities to deal with them. We will wish then that we had made the much smaller investment that we ask for today to preserve the depth in our strategic position that we have won.

The Base Force built to implement the regional defense strategy was predicated on four assumptions about the future: First, that we would see continued arms reductions and democratic progress in the Soviet Union and Eastern Europe. Second, that security ties among democratic nations would continue. Third, that regional tensions, heightened by the increased proliferation of nuclear, chemical and biological weapons and ballistic missiles, would trouble areas of the world of great importance to us. And, fourth, that the U.S. would not in fact have to undertake any significant long-term commitment of additional forward deployed forces to contain a regional dispute. A failure of any of these conditions might have required us to reassess the cuts we proposed, and we explicitly left ourselves the capability to do that. In fact, the August coup in the Soviet Union and the prospects of a long war for Kuwait briefly challenged two of those assumptions about the future. But we planned forces for the better world that we now can envision with more confidence.

Many risks, goals, and assumptions were weighed in 1990 as we designed our strategy and our Base Force for the better world that we projected. A commitment to lead the way to greater security at lower levels of force enabled us to look beyond the worrisome events of last winter and take an unprecedented step: we planned significant cuts even as we deployed 500,000 troops to Saudi Arabia; we proposed those cuts in the middle of the most complex air war and on the eve of the largest mechanized combat since World War II. In the end, the events of 1991 have challenged some of the assumptions we used in 1990 and posed some new concerns and opportunities, but confirmed the basic direction of the course we had set.

The budget we have presented will guard our national security interests for today and for the future. We have outlined a responsible program, one sensitive to the reductions in the threat, yet aware of continuing dangers and responsibilities. As the President stated in his State of the Union address, "This deep and no deeper. To do less would be insensible to progress, but to do more would be ignorant of history."

THE VICTORIES OF 1991

The events of 1991 bolstered substantially the assumptions underlying the new, regional defense strategy and gave us added confidence in the Base Force we had planned for the mid-1990s. In 1991 the West won two, well-noted victories: one over Iraqi forces in the Gulf War, and one over Soviet Communism. But 1991 also marked the culmination of two other success stories. As the Soviet Empire passes, the world's great powers are largely our friends and allies; even the nations of the former Warsaw Pact seek closer ties with us. The importance of broad international support on security issues was evident in the first crisis of the post-Cold War era. Finally, the Gulf War marked dramatically a triumph of quality in American military forces. Our forces in the Gulf were the finest America has ever fielded. This, too, marks an important success following many years of effort.

I would like to spend a few moments on these four significant successes for our policies. They will affect American security interests and the American military for years to come. Taken together, they open the possibility of some additional changes in defense planning and defense programs.

Victory in the Gulf

Soon after my February 1991 testimony, we halted hostilities in Operation Desert Storm, one of the most lopsided military victories in modern history. In 43 days of combat, a Coalition of forces that we had helped build soundly defeated the world's fourth largest army on its own door step.

The Coalition dominated every area of warfare. It defeated not only Saddam's forces, but his strategy. The Coalition took full advantage of its strengths and exploited fully Iraqi weaknesses. The result was a victory in which the enemy was not only beaten, but also in large measure failed -- apart from the use of ballistic missiles -- to take meaningful offensive action. Thankfully, our victory over Iraqi aggression and the frustration of Saddam Hussein's grandiose ambitions were achieved with miraculously low Coalition casualties.

The victory had enormous geopolitical consequences. Together the nations of the Coalition had halted aggression in the Gulf; defended the world's supply of oil; liberated Kuwait; destroyed two thirds of the Iraqi army; crippled its offensive capability; set back Saddam Hussein's quest for nuclear weapons; ended his pretensions of leadership in the Arab world; and left even his continued tyranny over his own people in doubt. We did not seek this war, but in its aftermath a broader process of change became possible. Our hostages in Lebanon were freed. Arabs and Israelis have met face to face to talk peace. Our relations have improved with nations throughout the region.

Although Saddam today has been reduced enormously in stature and power, we need to remember that the stakes in this conflict were large. Had the United States and the international community not responded to Saddam Hussein's invasion of Kuwait, the world would be much more threatening to the peoples of the Middle East and beyond.

Unopposed, the seizure of Kuwait would have placed significant additional financial resources and, hence, military power in the hands of an aggressive and ambitious dictator. Saddam would have used Kuwait's wealth to accelerate the acquisition of nuclear, chemical and biological weapons, and to expand and improve his inventory of ballistic missiles. Iraq's seizure of Kuwait, left unanswered, threatened Saudi Arabia and its vast oil resources, as well. Saddam had set a dangerous example of naked aggression that, unanswered, would ultimately have led to intimidation or more aggression by him and perhaps by others as well. Having defied the United States and the United Nations, Saddam Hussein's prestige would have been high and his ability to secure new allies would have grown. Saddam Hussein was preparing for bigger wars with much more terrible weapons and that is almost surely what we would have faced in a few years if the world had not responded so resolutely to his aggression in Kuwait.

The use of force will always remain for us a course of last resort, but there are times when it is necessary. By January of 1991, we had given Saddam every opportunity to withdraw from Kuwait peacefully and thereby avoid war and the cost of continued sanctions. By then he had made it clear that he considered it more important to hold on to Kuwait and had abundantly demonstrated his ability to impose hardships on his

people. Saddam has paid a heavy price for his consistent misreading of American capability and the free world's resolve.

The war in the Gulf was fought with forces built in large part for the Cold War. Victory in the Cold War, for example, made it easier for us to send the VII Corps from Europe to execute the now famous left hook. But the victory reflected as well some post-Cold War planning and some elements common to the regional strategy of the future.

In late 1989, with the fall of the Berlin Wall and the retrenchment of Soviet power, the Department reassessed threats to key regions, including Southwest Asia. For a decade DoD planning for Southwest Asia had been primarily concerned with a possible Soviet threat to Iran. But the reassessment in 1989 led us to shift our planning focus to regional threats to the Arabian peninsula, particularly from Iraq. This planning shift led to the preparation of concepts of operation, exercises, and preliminary planning in the Spring and Summer of 1990. These efforts gave us an important advantage when Saddam Hussein invaded Kuwait in August.

Our experience in the Gulf reflects some elements critical to the regional strategy for the post-Cold War world. We could not have accomplished the Gulf victory without significant experience in working with our allies and important nations in the regions. Those years of effort paid off in critical infrastructure, in successful battlefield cooperation, and in trust. Similar foresight and efforts will be critical to the success of our regional strategy for the post-Cold War world.

Victory in the Cold War

The West experienced another victory of enormous geopolitical consequence last year -- a victory 40 years in the making. The dissolution of the Soviet Union ended the Cold War. In 1989 the people of Eastern Europe were freed from Soviet domination; 1991 freed the people of the Soviet Union, as well. These successes vindicate the strategy of containment and its diplomatic and military foundations. The Congress deserves great credit for its long and consistent support of that strategy.

When I testified last year, what Russian President Boris Yeltsin called the "winter offensive" of reactionary forces was in full swing in the Soviet Union. Foreign Minister Shevardnadze had resigned, warning of an impending dictatorship. Shortly thereafter, Moscow tried to crush the democratically elected governments in the Baltics with force. Conservative forces had launched a major effort to remove Yeltsin from power, reverse progress on human rights, and attack press freedoms. Economic reform was moving backwards, as the old guard retreated to command-administrative efforts to stabilize the economy. Democratic forces appeared in disarray.

In retrospect, the "winter offensive" was the reactionaries' high point and the beginning of the end for the Soviet Union. President Gorbachev and Boris Yeltsin, along with other republic leaders, forged an alliance last spring geared to manage the devolution of power throughout the Soviet Union. In June, Yeltsin became the first popularly elected leader of Russia in its thousand-year history. In August, he used his popular legitimacy to face down a coup by hard-line forces in the military-industrial complex and KGB. The failed coup was a tremendous victory for the democratic forces, accelerating the demise of the Center and driving the Communist Party from the political stage. The Baltics won their independence first. Then as 1991 ended, Gorbachev resigned, and the Soviet Union ceased to exist.

In its place emerged twelve independent states, eleven of which formed a Commonwealth of Independent States (CIS). Their fate is still uncertain. The political and economic futures of the independent states are unclear; in some cases even their future internal integrity may not be free from doubt. The nature of the Commonwealth is still being defined; its long-term prospects will rest in the balance.

The situation facing the independent states of the Commonwealth and the Baltics is enormously difficult, a legacy of some seventy years of gross Communist mismanagement and disregard for basic human values and of six years of incomplete reform. Last year alone, Soviet GNP plummeted by 15-20 percent. Regional protectionism has stunted trade between republics and other regions. Food, fuel, and medicine shortages are rampant.

However, it is also true that there is an historic chance for a successful transition to democracy and market economies in the territory of the former Soviet Union (FSU). Yeltsin and the Russian Government have embarked on an ambitious program of radical market-oriented reform that includes price liberalization; privatization of trade, services, and farming; demonopolization; budget deficit reduction; and monetary reform. The various facets of this program are planned to be in place by this April. Economists in Russia and abroad are already criticizing it sharply; many are predicting failure, and no one can guarantee success. But Yeltsin and his government have demonstrated the will to implement some market reforms. Despite the pain they know it will cause the people of Russia in the short run, they seem to understand that this is the only path to a democratic, prosperous Russia.

At the same time, Russia and the other new states are sorting out their relations with each other. The new states have begun a difficult set of negotiations, in the guise of the Commonwealth, to sort out their political relations. Future military arrangements are a critical part of this. There have been some tense moments as a result of, for example, Russia's and Ukraine's competing claims to the Black Sea Fleet and the military forces stationed in Ukraine. But there have been some

successes as well. Most importantly the Commonwealth states have agreed to take a number of steps to place the former Soviet nuclear arsenal under unified control. First, the four states of the Commonwealth on whose territory nuclear forces remain and declared START-related facilities are located -- Russia, Ukraine, Belarus and Kazakhstan -- have all indicated their intent to observe and implement START Treaty obligations. Second, Ukraine and Belarus have expressed their intention to become nuclear-free states, and all nuclear weapons will be removed from Ukraine by the end of 1994. While the record is less clear, it appears Kazakhstan may also in the end become a nuclear-free state. If so, all strategic systems will in the end be deployed on Russian territory. However, the ultimate disposition of strategic nuclear weapons will take some time to resolve; a deterioration of relations among the new states could affect its outcome. Third, with the aid of President Bush's September initiative to destroy or withdraw U.S. battlefield and sea-based tactical nuclear weapons, it appears that the states of the Commonwealth plan for all tactical nuclear weapons -- which are clearly the most vulnerable to improper seizure -- to be consolidated in Russia by July of this year, with large numbers scheduled to be dismantled. Fourth -- and perhaps most importantly -- the Commonwealth leaders have unanimously agreed to retain unified control over nuclear weapons. While final launch authority is vested in the President of Russia, the Minsk agreement specifies that he act only with the agreement of the leaders of the other three republics where nuclear forces remain and in consultation with the remaining Commonwealth leaders.

These commitments to keep the former Soviet nuclear weapons under secure, responsible control are important to Americans and to everyone in the world. So far the nuclear command and control mechanisms appear more robust than many would have anticipated. Overall, the Commonwealth has so far proved to be a valuable forum for resolving outstanding differences among the newly independent states, including nuclear command and control and the fate of the former Soviet military. Whatever the Commonwealth's future, this role alone has earned it a valuable place in history.

The dissolution of the USSR as a state and the demise of Communist ideology has spelled the end of the threat of direct, large-scale conventional military attack on Europe that drove our security policy for the past 45 years. We are no longer engaged in a global confrontation with an aggressive, expansionist state that espouses an ideology inimical to our basic values. For the moment, the new leaders of the former Soviet republics are looking to the West for assistance and advice. Key republics, particularly Russia and Ukraine, even hope to become part of the West. As Russian Foreign Minister Kozyrev recently put it: "The developed countries of the West are Russia's natural allies. It is time to say firmly that we are not adversaries . . . ."

It is improbable that a global conventional challenge to U.S. and Western security will reemerge from the Eurasian heartland for years to come. Even if some new leadership in Moscow were to try to recover its lost empire in Central Europe or to threaten NATO -- and I would emphasize that the renunciation of such aims by the new Russian leaders enjoys broad support -- the reduction of its conventional military capabilities over the past several years would make the chances for success remote without prolonged force generation and redeployment. Events are having a sweeping and dramatic impact on the capabilities of the former Soviet military. Readiness and force levels are falling significantly; the draft has had problems; units are being withdrawn from eastern Germany and from Eastern Europe; a large amount of military spending is being diverted to personnel costs from operations and procurement expenditures to prevent a wholesale collapse of living standards for the troops and their families. Troop loyalties are divided and uncertain. Implementation of arms control agreements will further reduce any threatening military capabilities, as will anticipated transfers of significant resources from military to civilian purposes.

Finally, former Soviet modernization programs appear to be slowing down or in some cases coming to a halt. In the current confusion, the system will continue to grind on for some time to come until national planners stop it, or convert it, or until the system simply runs out of necessary parts or inputs.

This slowdown has been true even of strategic modernization. We expect continued deployments of land-based ICBMs, specifically the SS-18 Mod 5/6 and the SS-25, albeit at a slower pace. Yeltsin has announced the completion of the Blackjack and Bear H programs, and no new ballistic missile-equipped nuclear submarines are likely to become operational within the decade. Whether this slowing down is due to political will, economic collapse, or both, it represents a further encouraging sign that significant, positive change has occurred in Moscow's defense policy.

President Yeltsin has already provided a positive response to the initiatives announced by President Bush in the State of the Union address. We are studying his response closely. It contains a number of positive steps which appear to accelerate the timetable of nuclear reductions envisioned in START and halt many strategic modernization programs. We discussed these matters with President Yeltsin at Camp David and explored some of the items in more detail. Followup efforts to these discussions may yield significant progress.

Now that I have given you the good news, let me focus on some more troubling trends. The Soviet army, still one of the largest and most heavily armed in the world, is now an army facing a crisis of identity. It remains the only intact, functioning institution of the former USSR. Yet it has no clear mission, an ill-defined chain of command, and its traditional

means of life support are increasingly drying up. The officer corps has become a cauldron of discontent, frustrated by the sudden fragmentation of the force, the loss of social prestige, precipitously declining living standards, and the lack of social welfare and protection programs. A popular slogan at the recent all-army officers' conference in Moscow sounded an ominous tone: "If the politicians do not decide the fate of the army, the army will decide the fate of the politicians."

Several republics are moving to take over the military forces and equipment on their territory, despite resistance from Moscow. Some units on their own are switching allegiance to republic or even local authorities. In some areas, particularly the Transcaucasus, military units have come under attack by locally armed groups looking to seize weapons and equipment. In the Baltics, the slowness of the withdrawal of former Soviet forces has led to tension between military units and local authorities over logistical support and housing. At this point, we cannot be certain what the ultimate disposition of the former Soviet armed forces will be. While Commonwealth leaders have agreed on central direction of nuclear forces, they have been unable to resolve the status of general purpose forces. Some former republics will want their own military forces, while others may participate in Commonwealth forces.

My other chief concern about the demise of the USSR is the potential for the further spread of nuclear, biological, or chemical weapons technology and the technology underlying missiles and advanced conventional systems. With the cutbacks in former Soviet weapons program and the rapid deterioration of the Soviet economy, there will be a strong temptation for unemployed Soviet scientists, accustomed to prestigious careers and superior standards of living, to seek employment abroad. Soviet scientists with expertise in nuclear weapons design, plutonium production or uranium enrichment, or chemical or biological weapons design pose a significant security problem. The Congress and the Executive branch have focused on the problem in connection with recent legislation designed to provide up to $400 million to address, among other concerns, proliferation. Realistically, however, we must face the fact that despite our best efforts, some of this technology will slip into the Third World. We will have to be prepared to deal with this problem.

While we have been repeatedly assured by authorities of the Commonwealth and of the independent states that all former Soviet nuclear weapons are currently being properly safeguarded and controlled, we will be a lot more comfortable when their levels have been significantly reduced. In addition, the enormous stocks of chemical and biological weapons must be destroyed. As Moscow's destruction capabilities are in some ways limited, particularly for the chemical stocks, we are investigating how DoD can best assist.

The outcome of the transition in the FSU remains profoundly uncertain. The economic situation, particularly in Russia, will

be decisive in this regard, and no one has yet successfully transformed a command-administrative system into a free market economy. That profound challenge confronts Russia, which alone will remain a major European power, and Ukraine, which has the potential to become one in the long run.

The stakes are enormous. If Russia, Ukraine, and the other states of the CIS make the transition to a new political and economic system based on Western values, then I think the next century is likely to be marked by peace and prosperity. If they fail, we will have to confront a new array of challenges to our security.

Unfortunately, all the elements are present for an outcome which would require us to rethink some of the assumptions upon which our current program is based:

- A disastrous economic situation that may not be repairable in time to avoid a social and political explosion.
- Continuing differences between and among republics.
- The absence of a tradition of either democracy or entrepreneurship and weak governing institutions.
- Divisions within the military.
- The existence of reactionary ideologues, popular resentments, xenophobia, and potential nostalgia for Russia's lost empire.

The possibility of an economic and sociopolitical train wreck which would yield a very ugly regime in Russia cannot be wished away. A collapse of the democratic experiment in the former Soviet Union could lead to:

- An authoritarian, remilitarized Russia that seeks to intimidate Eastern Europe or even reverse the process of democratization there.
- An armed conflict between Russia and Ukraine which could lead to ecological disasters, large refugee flows to the West, and and a threat to the security of Poland, Hungary, and Czechoslovakia.
- A breakdown of the nuclear command and control system with resulting loss of control over some nuclear weapons.

Such outcomes would be dangerous not only for the people directly involved, but for Americans as well. We must do everything we can to assist them to avoid such outcomes. Experts often speak of the dangers of "Weimar Russia," in which initial advances toward democracy and economic stabilization fail and an authoritarian leader assumes power and rearms. In Weimar Germany, it took more than a decade before democracy failed; we do not know what might happen in Russia. If developments take such a turn, our current defense program will allow us to make the necessary mid-course corrections in the available warning time.

Despite the potential problems, the current trend of events remains positive and provides grounds for optimism. It enables us to contemplate changes in the international system, which few would have had the temerity to dream of even one year ago.

If democracy matures in the key states of the former Soviet Union, there is every possibility that they will be a force for peace not only in Europe, but in other critical regions. Such democratic states will have more in common with us than in conflict. We could well imagine that in a crisis like Operation Desert Shield/Storm years from now, we will have not merely political, but military support from Russia, or other states of the former Soviet Union. In the nearer term, democratic progress in Russia, Ukraine, or other former republics sets an example for the others. On the other hand, a slide to chaos or fascism in any one state could threaten democratic progress in its neighbors.

The uncertainties we face are likely to be with us for the remainder of this decade or longer. These uncertainties require continued concerns for our defenses. This is the price of victory in the Cold War. The change from the past and the promise of the future make it a price worth paying.

The Silent Victory

Both the Cold War and the Gulf War -- the first post-Cold War conflict -- are challenges that we met with the help of an extensive system of security arrangements. In many respects, our alliance structure is perhaps our nation's most significant achievement since the Second World War. It represents yet another victory, a "Silent Victory" of building longstanding alliances and friendships with nations that constitute a prosperous, largely democratic, market-oriented "zone of peace" that encompasses more than two thirds of the world's economy. The continued vitality of NATO and of our alliance with Japan, Korea, and Australia, and the creation of an ad hoc Coalition in Operations Desert Shield/Storm brings this victory into the post Cold War world. In the long run, preserving and expanding on this silent victory will be just as important an achievement as either the successful containment of the Soviet Union or our defeat of Iraq.

Events in Central and Eastern Europe and in the former Soviet Union over the last year or more have greatly advanced the prospects for this silent victory. Some of the strongest advocates for strong trans-Atlantic bonds and a continued U.S. presence in Europe are the newly emerging democracies of Poland, Czechoslovakia, Hungary, and Bulgaria. In 1991 the last Soviet troops were withdrawn from Czechoslovakia and Hungary, and a date was set for Soviet withdrawal from Poland. We have begun international cooperative training programs with these nations and opened regular defense dialogue. Liaison relations exist between them and NATO. Each of these nations faces economic,

ethnic or regional security challenges; but there is progress being made.

Some thought that Germany could be unified only if it were neutral. From the start the U.S. fought for a united Germany that would remain in NATO. Now there is a united Germany in NATO and agreement for complete removal of Soviet troops by 1994.

Democratic reformers in Russia, Ukraine and other parts of the former Soviet Union now plan to attend a meeting with NATO ministers and ministers from Eastern European countries, including Poland, Czechoslovakia, and Hungary, in the near future.

Events in 1991 affected our critical security relations in Asia, as well. For decades, the very real security threat from the Soviet Union had served as the primary rationale for the U.S.-Japan security relationship. Even as the Soviet threat passes, however, the need for strong U.S.-Japan ties persists; and the U.S. remains committed to Japan's security. This strong relationship helps to counter remaining security threats, to further enhance regional peace and stability, and to protect the wide-ranging U.S. interests in East Asia and beyond. Our forces stationed in Japan and generously supported by it played an important role in the Gulf War. Moreover, Japan contributed cash to offset U.S. costs for the Gulf War and dispatched mine sweepers to the region.

In addition to Japan, we have active mutual security agreements with the Republic of Korea, the Philippines, Thailand, and Australia, and have established non-treaty security relationships with several other countries. These ties will be important as the demise of Soviet Communism begins to affect China, Vietnam, and North Korea. North Korea's disturbing nuclear program, coupled with its record of support for international terrorism, and the tremendous military establishment it continues to support makes it the most serious single threat to peace in Asia. But the seven largest armies in the world are in the Pacific. Given our historic commitment to the region and its growing importance to us, continued security ties will be vital.

Finally, as we fought the Gulf War, 38 members of the Coalition stood alongside us. These and others from Europe, Asia, the Pacific and elsewhere contributed resources, logistical help, staging points, or overflight rights. Through the financial participation of other nations, America recaptured nearly 90 percent of the incremental costs we incurred in the war. Taken together, these efforts -- combat forces, logistical support, and financial participation -- make a remarkable record of burden sharing on which we should try to build.

The growing strength of our allies will make it possible for them to assume greater responsibilities for our mutual security interests. More reciprocal, more mature security relationships will be more sustainable over time. We will expect our allies

to share with us the burden of leadership, and we will work with them towards this end.

The Best Force: A Triumph of Quality

The Persian Gulf war highlighted a fourth feature of our success, one painstakingly built throughout the 1980s. It is a victory of high-quality forces -- of cutting edge military technology effectively used by talented, well-trained individuals.

High technology systems vastly increased the effectiveness of our forces. This war demonstrated dramatically the new possibilities of what has been called the military-technological revolution in warfare. This technological revolution encompasses many areas, including standoff precision weaponry, sophisticated sensors, stealth for surprise and survivability, night vision capabilities and antiballistic missile defenses. In large part this revolution tracks the development of new technologies such as the manipulation of information by microprocessors that has become familiar in our daily lives. The exploitation of these new technologies promises to change the nature of warfare significantly, as did the earlier advent of tanks, airplanes, and aircraft carriers.

The war tested an entire generation of new weapons and systems at the forefront of this revolution. In many cases these weapons and systems were being used in large-scale combat for the first time. In other cases, where the weapons had been used previously, the war represented their first use in large numbers. For example, precision guided munitions are not entirely new; they were used in 1972 to destroy two Hanoi bridges that had withstood multiple air attacks earlier in the Vietnam War. But their use in large numbers represented a new stage in the history of warfare.

Technology greatly increased our battlefield effectiveness. Battlefield combat systems, like the M1A1 tank, AV-8B jet, and the AH-64 Apache helicopter, and critical subsystems, like advanced fire control, the Global Positioning System (GPS), and thermal and night vision devices, gave the ground forces unprecedented maneuverability and reach. JSTARS offered a glimpse of new possibilities for battlefield intelligence. Our forces often found, targeted and destroyed the enemy's before he could return fire effectively.

The Persian Gulf War saw the first use of the Patriot (or, indeed of any weapon) in an antiballistic missile defense role. The war was not the first in which ballistic missiles were used, and there is no reason to think that it will be the last. Ballistic missiles offered Saddam Hussein some of his few, limited successes and were the only means by which he had a plausible opportunity (via the attacks on Israel) to achieve a strategic objective. While the Patriot was effective against the conventionally armed Scud missiles in Saddam Hussein's inventory, we must anticipate that in the future more advanced

types of ballistic missiles, some armed with nuclear, chemical or biological warheads, will exist in the inventories of even Third World nations. More advanced forms of ballistic missile defense, as well as more effective methods of locating and attacking mobile ballistic missile launchers, will be necessary to deal with that threat.

The military technological revolution will continue to pose challenges to our forces both to keep up with competing technologies and to get the greatest potential from the systems we have. For example, the extensive use of precision munitions created a requirement for much more detailed intelligence than had ever existed before. It is no longer enough for intelligence to report that a certain complex of buildings housed parts of the Iraqi nuclear program; targeteers now want to know precisely which function is conducted in which building, or even in which part.

In addition, future opponents may possess more advanced weapons systems and be more skilled in using them. The war showed that we must work to maintain the tremendous advantages that accrue from being a generation ahead in weapons technology. Future adversaries may have ready access to advanced technologies and systems from the world arms market. A continued and substantial research and development effort, along with renewed efforts to prevent or at least constrain the spread of advanced technologies, will be required to maintain our advantage.

A second aspect of the victory is the importance of high-quality troops and commanders. Warriors win wars, and smart weapons require smart people and sound doctrine to maximize their effectiveness. The highly trained, highly motivated all-volunteer force we fielded in Operations Desert Shield and Desert Storm is the highest quality fighting force the United States has ever fielded.

Many aspects of the war -- the complexity of the weapon systems used, the multinational coalition, the rapidity and intensity of the operations, the harsh physical environment in which it was fought, the unfamiliar cultural environment, and the threat of chemical or biological attack -- tested the training, discipline and morale of the members of our armed forces. They passed the test with flying colors. From the very start, men and women in the theater, supported by thousands on bases and in headquarters around the world, devoted themselves with extraordinary skill and vigor to this sudden task. They skillfully mounted a major military operation far from the United States and in conditions vastly different from the notional theaters for which our forces had primarily trained in the Cold War. Reflecting that American "can do" spirit, the campaign includes some remarkable examples where plans were improvised, work arounds were found, and new ways of operating invented and rapidly put into practice. Over 98 percent of our all-volunteer force are high school graduates. They are well trained. When the fighting began, they proved not just their

skills, but their bravery and dedication. To continue to attract such people, we must continue to meet their expectations for top-notch facilities, equipment and training and to provide the quality of life they and their families deserve. In taking care of them, we protect the single most important strategic asset of our armed forces.

Their performance bore testimony to the high quality of the training they had received. Of particular note are the various training centers which use advanced simulation, computer techniques, and rigorous field operations to make the training as realistic as possible and to exploit the benefits of subsequent critique and review. For example, many of the soldiers who fought in Desert Storm had been to the armored warfare training at the National Training Center at Fort Irwin, California, which has been described as tougher than anything the troops ran into in Iraq. Similarly, the Air Force "Red Flag" exercise program, which employs joint and multinational air elements in a realistic and demanding training scenario, provided a forum for the rehearsal of tactics, techniques and procedures for the conduct of modern theater air warfare. That is the way training is supposed to work.

Our success in the Gulf also reflected outstanding military leadership. The command arrangements and the skills of the military leadership were challenged by the deployment of such a large force in a relatively short period of time, the creation or substantial expansion of staffs at various levels of command and the establishment of working relationships among them, the melding of the forces of many different nations and of the different services into an integrated theater campaign, and the rapid pace of the war and the complexity of the operations. The result was an offensive operation of such speed and intensity that the enemy was never able to respond in an effective and coordinated manner after the first blows were struck.

The high quality of our forces was critical to the planning and execution of two very successful deception operations that surprised and confused the enemy. The first deception enabled the Coalition to achieve tactical surprise at the outset of the air war, even though the passage of the United Nations deadline made an attack predictable.

The second deception operation confused the Iraqis about the Coalition's plan for the ground offensive. The success of this deception operation both pinned down several Iraqi divisions along the Kuwaiti coast and left the Iraqis completely unprepared to meet the Coalition's "left hook" as it swung around the troop concentrations in Kuwait and enveloped them.

Finally, the skill and dedication of our forces was a critical element for the Coalition's efforts to design and carry out a campaign that would, within the constraints imposed by military necessity, minimize the risks of combat for nearby civilians and treat enemy soldiers humanely. Coalition pilots took additional risks and planners spared legitimate military

targets to minimize civilian casualties. Coalition air strikes were designed to be as precise as possible. Tens of thousands of Iraqi prisoners of war were cared for and treated with dignity and compassion.

THE REGIONAL DEFENSE STRATEGY TODAY

The dramatic events of 1991 underscore the validity of the course that the President charted for U.S. national security eighteen months ago. The core goals of the regional defense strategy are to protect American interests and to promote a more stable and democratic world. Threats to our critical interests could arise with little notice in various parts of the world, including Europe, Asia, Southwest Asia, and Latin America. We want to ensure that nondemocratic powers will not dominate regions of the world critical to us or come to pose a serious global challenge. To accomplish these goals, we must preserve U.S. leadership, maintain leading-edge military capabilities, and enhance collective security among democratic nations.

The regional defense strategy rests on four essential elements:

- Strategic Deterrence and Defense -- relying on a mix of offensive and defense capabilities to protect the U.S. and our allies.

- Forward Presence -- maintaining forward deployed or stationed forces to strengthen alliances, show our resolve, and dissuade regional challenges.

- Crisis Response -- providing forces and mobility to respond to crises and to reinforce forward deployed forces.

- Reconstitution -- maintaining the capability to generate wholly new forces to deter or respond to a renewed global threat.

Strategic Deterrence and Defense

The United States will continue to rely on its strategic nuclear deterrent capability, including a survivable command, control, and communications system, and a modified version of the traditional Triad. Our future forces will give less emphasis to land-based ICBMs and ready bombers.

Several events of 1991 have significantly affected our plans for strategic nuclear forces. In July we signed a START agreement that, if ratified and implemented by both sides, will bring about the first negotiated reduction of strategic offensive nuclear systems. The START treaty is a major achievement. But it was begun in an earlier, Cold War era; and it took nine years to complete the negotiations.

After the Soviet Coup failed in August, we did not believe that we had nine years to work out the next reduction in nuclear armaments. So the President moved at the end of September in

several dramatic ways to abolish an entire class of short-range battlefield nuclear weapons, to withdraw tactical nuclear weapons from our sea-based forces, and to accelerate the implementation of the START treaty itself by taking off alert now -- instead of seven years hence -- those ICBMs we intended to eliminate under START. So on September 28th, the morning after the President's speech, I took off alert 45 percent of our ICBM launchers or 450 Minuteman II ballistic missiles.

In addition, the President directed me to take our bomber force off alert. For the first time since Dwight Eisenhower was President, there are no American bombers, fueled, loaded with nuclear weapons, parked at the end of the runway, ready to go to war at a minute's notice. Obviously, we could regenerate the force if we had to, but we don't expect we'll have to any time in the near future.

In his September 27th speech, the President also called for the Soviets to join in taking "immediate concrete steps to permit the limited deployment of non-nuclear defenses to protect against limited ballistic missile strikes--whatever their source."

I might add that the Soviets have responded to the changes -- first, in steps Mr. Gorbachev announced last fall, and more recently that President Yeltsin subsequently agreed to expand upon.

In his State of the Union address, President Bush announced major reductions in U.S. strategic nuclear modernization programs. These steps are to be taken unilaterally and immediately:

- The B-2 program will be terminated at 20 aircraft.
- The Small ICBM program will be canceled entirely.
- Production of the W-88 warhead for Trident II SLBMs will be terminated.
- Purchases of the Advanced Cruise Missile beyond those already authorized will cease.

Together, the President's unilateral initiatives of the State of the Union and of last September have important implications for the Base Force. Immediately and unilaterally, the Base Force now includes 20 percent fewer bombers. With cancellation of the Small ICBM, the Base Force will include 500 Minuteman III ICBMs for the foreseeable future. We will retain 18 Trident submarines, though their ratio of high-yield W-88 to lower-yield W-76 warheads will be much lower than previously planned.

The President also called upon the leaders of the four CIS republics with nuclear forces on their territory to join the United States in even farther-reaching bilateral strategic arms reductions. He reiterated his proposal from last September that the former Soviet Union should eliminate all ICBMs with multiple warheads, the most destabilizing weapons systems, and promised

in return to reduce significantly the number of our nuclear warheads at sea and on bombers.

If the newly independent states of the former Soviet Union agree to the President's bilateral proposals, we will make even more dramatic changes to the Base Force. Our 50 multiple-warhead Peacekeeper missiles would be eliminated, and all 500 Minuteman ICBMs would be downloaded to a single-warhead configuration. The 3,456 warheads attributable to our 18-submarine Trident force would be reduced approximately one third by downloading reentry vehicles from missiles or by removing missiles from submarines. This would cause the level of accountable warheads in our Base Force to decrease by 40 percent. In addition, a substantial number of bombers would be oriented primarily toward conventional missions, causing the actual number of warheads to be roughly half of what we planned to have under START.

The reform leaders of the newly independent states have clearly voiced their interest in reducing strategic forces inherited from the Soviet Union. They recognize we are not a threat and rightly view these forces as diverting scarce resources from rebuilding their troubled economies and complicating the improvement of relations with the West. We hope to give the new Commonwealth leaders impetus to make substantial reductions in these strategic forces to a level consistent with the absence of any threat from the West. With the dissolution of the Soviet Union, and a substantial reduction in its strategic forces, General Powell and I are confident that a strategic force that carries only half of the nuclear weapons of our previous Base Force would meet the security requirements of the United States and its allies.

We can foresee the possibility of a time when Russian nuclear weapons no longer pose a threat to the United States and its Allies, and we no longer need to hold at risk what future Russian leaders hold dear. This would require unambiguous evidence of a fundamental reorientation of the Russian government: institutionalization of democracy, positive ties to the West, compliance with existing arms reduction agreements, possession of a nuclear force that is non-threatening to the West (with low numbers of weapons, non-MIRVed, and not on high alert status), and possession of conventional capabilities nonthreatening to neighbors.

A transformation of Russia along these lines should clearly be our goal. But we are not there yet, and whether this will be the outcome is far from clear. Our pursuit of this goal must recognize the as yet robust strategic nuclear force facing us, the fragility of democracy in the new states of the former Soviet Union, and the possibility that they might revert to closed, authoritarian, and hostile regimes. Our movement toward this goal must, therefore, leave us with timely and realistic responses to unanticipated reversals in our relations.

The new technology embodied in the SDI program has made missile defense capability a realistic, achievable, and affordable concept. Furthermore, a significant number of nations are now developing both ballistic missile capabilities and weapons of mass destruction. We need to deploy missile defenses not only to protect ourselves, but also to have the ability to extend protection to all nations that are part of the broader community of democratic values. Like "extended deterrence" provided by our nuclear forces, defenses can contribute to a regime of "extended protection" for friends and allies. This is why, with the support of Congress, as reflected in the Missile Defense Act of 1991, we are seeking to move beyond the ABM Treaty toward the day when defenses will protect the community of nations embracing liberal democratic values from international outlaws armed with ballistic missiles.

There are other steps we are taking as well to mitigate nuclear risk. As the threat of superpower nuclear confrontation recedes, we are considering how best to recalibrate the balance between military effectiveness and nuclear safety, security, and control. We also are considering how to adapt risk reduction measures, previously focused on the old Soviet Union, to cope with a more multipolar world in which nuclear capabilities are proliferating. President Bush's two initiatives have removed weapons which have caused the most safety and security concerns and created an environment amenable to further risk reduction initiatives. The Failsafe and Risk Reduction Review, chaired by Ambassador Kirkpatrick, is considering what other steps can be taken.

Strategic nuclear forces will continue to play an essential role with respect to countries other than the Soviet Union. Nuclear weapons cannot be disinvented. Other countries -- some of them, like Iraq, hostile and irresponsible -- threaten to acquire them. This requires us to maintain a secure retaliatory capability to deter their use. Strategic forces will also continue to support our global role and international commitments, including our trans-Atlantic links to NATO.

With the major reductions we have made and are prepared to make in our Base Force, it is critical that we ensure the effectiveness of our remaining systems. This entails completing procurement of 20 B-2 bombers -- a limited force for specialized missions, particularly in conventional operations--and continued upgrades to our B-1B fleet, to ensure safety of operations, to design effective countermeasures, and to increase its conventional capabilities. It entails extending the service life of our Minuteman III force and planning for future upgrades as it transitions to a single-warhead system. And it entails outfitting the last Trident submarines, while planning how best to sustain the 18-boat force well into the next century. In addition to these important investments, we must adequately support the operation and training of these forces, the airmen and sailors who operate them, and a readiness posture which is appropriate to the reduced threat, but does not put our

deterrent at risk in a tumultuous world. Finally, the Department is working to develop GPALS, and we urge the Congress to continue its strong support for these efforts.

The total size of the U.S. nuclear arsenal is shrinking significantly as a result of arms control agreements with the former Soviet Union and the historic unilateral initiatives announced by President Bush last September. But we believe that the remaining force will be sufficiently capable to deter future aggression and to demonstrate our commitment to protect our vital interests.

Forward Presence

We will continue to rely on forward presence of U.S. forces to show U.S. commitment and lend credibility to our alliances, to deter aggression, enhance regional stability, promote U.S. influence and access, and, when necessary, provide an initial crisis response capability. Forward presence is vital to the maintenance of the system of collective defense by which the U.S. has been able to work with our friends and allies to protect our security interests, while minimizing the burden of defense spending and of unnecessary arms competition.

Forward presence often involves overseas basing of forces; but it also can take the form of periodic deployments, exercises, exchanges, and visits. Important too are arrangements to provide the infrastructure and logistical support to allow for the forward deployment of forces when necessary. Our maritime and long-range aviation forces enable us to exert a presence in areas where we have no land-based forces.

As we adjust to the changing security environment, we are reducing our forward presence in Europe and Asia. The end of the Cold War has made it possible for the United States, in close consultation with our allies, to undertake very substantial reductions in the forces that we station in Europe and a restructuring of the Alliance's overall defense posture in Central Europe. Our objective for U.S. forces in Europe for the second half of the 1990's will be a capable corps, given our view that a corps is the smallest size force that provides real combat capability. This translates to a presence of less than half the level of our forces at the beginning of the decade. A continued U.S. presence will provide reassurance and stability as the new democracies of Eastern Europe mesh themselves into a larger and evolving Europe. It is important to note that both our new friends in Eastern Europe and the leaders of the former Soviet Union have made it clear to me in my visits that they consider a continued U.S. presence in Europe and a strong NATO to be essential to overall European stability.

Because our Pacific friends and allies are assuming greater responsibility for their defense, we can restructure our forces and reduce the number of ground and support forces forward deployed there. We anticipate that more than 25,000 troops will

be pulled out of bases in East Asia by December 1992. This includes the withdrawal from the Philippines. However, plans to remove additional forces from South Korea have been suspended while we address the problem posed by the North Korean nuclear program. U.S. forces have a unique role to play in this region. The changes in our defense posture in the Pacific will be far less extensive than in Europe, because the threat has changed much less here. The U.S. does not intend to withdraw from Asia and will keep substantial air and naval forces forward deployed in Asia for the foreseeable future.

In Southwest Asia, we are striving with friends and allies to build a more stable security structure than the one that failed on August 2, 1990. But, we have major interests in that part of the world and, consistent with the wishes of our local friends, we must remain engaged to protect those interests. Therefore we will increase our presence compared to the pre-crisis period. We will want to have the capability to return forces quickly to the region should that ever be necessary. This will entail increased prepositioning of equipment and material and a robust naval presence. We have recently signed cooperation agreements with Kuwait and Bahrain in addition to the long-standing agreement with Oman. We are continuing to explore similar arrangements with other friendly countries in the region.

We also have significant interests in Latin America, both because of its proximity and our historic ties to the region. We will face new difficulties maintaining a ground presence there, as in accordance with the provisions of the Panama Canal treaty, we would retain no major bases in Latin America beyond the turn of the century. Despite the general trend toward democratization and peace in Latin America, the situation in Haiti and Cuba -- where dramatic reductions of Soviet and East European aid have increased the prospect of instability -- reminds us of the continued potential for instability.

The Administration has a well thought through plan for large scale reductions in our forward deployed presence in Europe and Asia to levels consistent with our current national interests and the improved security environment. We have worked closely with our allies in developing these plans; precipitous withdrawals that outpace our already ambitious, announced plans could raise questions regarding U.S. credibility and staying power.

Crisis Response

As we learned from the Gulf War, responding to a regional crisis can mean mounting a very large military operation with little advanced notice against a well-armed and capable adversary. For this reason, we need the capability to respond quickly to unexpected contingencies. We must be prepared to operate effectively in diverse areas of the world and to cope with differences in climate, terrain, distance from the United

States, capabilities of potential adversaries, and varied levels of in-country logistical support. These conditions require highly responsive military forces able to move long distances rapidly.

We cannot anticipate that a future adversary will give us the time to prepare for a major operation. For example, had Saddam Hussein kept moving south after he seized Kuwait, it would have been immensely harder for us to defeat his forces and protect Western interests. Regional conflicts will increasingly be complicated by increases in both the conventional and unconventional capabilities in the Third World. During the Gulf War we faced an adversary armed with chemical and biological weapons. Although Saddam Hussein did not use these weapons, we may not be so lucky the next time. We remain concerned that a number of nations including Iran and North Korea are working to develop nuclear or unconventional weapons. As we learned from our experience with Iraq, it can be extremely difficult to know how far such efforts to develop weapons of mass destruction have progressed.

The threat is not limited just to weapons of mass destruction. The global diffusion of military and dual-use technologies will enable a growing number of countries to field highly capable weapons systems, such as ballistic missiles, stealthy cruise missiles, integrated air defenses, submarines, modern command and control systems, and even space-based assets. As a result, our regional adversaries may be armed with capabilities that in the past were limited only to the superpowers.

Unfortunately, there are both governments and individuals willing to supply proliferating countries with both systems and know-how. We are concerned that political turmoil and economic distress in the states of the former Soviet Union may increase the risk of potentially dangerous technologies getting into the hands of irresponsible governments and individuals. Third world countries attempting to acquire nuclear, biological, and chemical weapons will undoubtedly attempt to take advantage of economic distress in the former Soviet Union. The diffusion of advanced conventional technologies developed by the Soviets could tilt regional balances against our interests.

Hence, we must be prepared to face adversaries on their terms, possibly involving the use of weapons of mass destruction and ballistic or cruise missiles. We may need to be able to fight earlier than we had to this time. If the use of weapons of mass destruction is threatened, we may need to win even more quickly and decisively, and we would still want to retain the advantages necessary to keep our own losses as low as possible.

Finally, there is an array of other potential challenges to peace, including the challenge of halting the drug trafficking that fuels instability abroad and drains our own domestic vitality. We must continue humanitarian assistance efforts, and security assistance to aid positive developments abroad. We

cannot ignore the reality of terrorist organizations targeting American citizens and interests around the globe. We have to anticipate instability and resulting threats to American citizens. We need the capability to respond quickly anywhere in the world to rescue American citizens endangered by political instability. Last year, U.S. military forces rescued U.S. and foreign nationals in Liberia and Somalia.

Reconstitution

Looking back over the twentieth century, we have seen rapid shifts in the geopolitical climate, and the development of new technologies and tactics that have repeatedly transformed the battlefield. At present, the absence of a global threat allows us to reduce the size of our military forces. The reemergence of a global threat, however, would force us to respond by rebuilding our force structure. For this reason, we must have the capability to generate additional new forces should the need arise.

Reconstitution is intended to deter any potential adversary from attempting to build forces capable of posing a global challenge to America, and, if deterrence fails, to provide a global warfighting capability. In essence, reconstitution is a way of hedging our bets.

When the concept was first incorporated in U.S. defense strategy in 1990, reconstitution planning focused on the possibility that the Soviet Union might seek to restore quickly the reductions it was making in its military forces. Since then, the Soviet Union has ceased to exist, and military forces in the former Soviet Union have been cut even further. Thus, reconstitution -- especially in its focus on deterring any potential adversary from building the military forces needed to pose a global threat -- is still an important component of our strategy. But, the time that would be required for a potential adversary to mount such a challenge is lengthening significantly. Moreover, the identify of such a challenger is less certain. This has fundamental implications for issues of industrial base and reconstitution, which we are grappling with. Many questions remain, but some important conclusions are already clear.

IMPLICATIONS FOR THE FOUNDATIONS OF OUR DEFENSE

The developments of 1991 have significant implications for the foundations on which the President's regional defense strategy rests -- technological superiority, quality personnel, core competencies and robust alliances. The end of the Soviet threat and the significant slowdown or even halt that we expect in Russian modernization programs suggest that we will be able to slow down our own modernization efforts and still maintain our technological edge. Since we are not being chased as hard, we will not have to run as fast. This enables us to cancel some modernization efforts and to emphasize longer periods for

research and development and for testing and proving the value of systems before buying. Accordingly, DoD has instituted a new acquisition strategy.

The old U.S. acquisition strategy placed a premium on rapid development and procurement of new systems to counter rapidly evolving Soviet capabilities. New systems often came in late, below specifications, and over budget because of "concurrency." It was usually assumed that we would produce everything we researched. Accordingly, firms did R&D on the assumption that they could make a profit when they went to full scale production.

Under the new U.S. acquisition strategy, there will be heavy emphasis on government-supported R&D to maintain the technology base. More work will be done with prototypes to demonstrate capabilities and prove out concepts. We plan to go to full scale development and procurement on fewer systems, and only after having taken the time to prove out the concept. We will rely more often on inserting new capabilities into existing platforms and upgrades, instead of building totally new systems. We will also place greater emphasis on producibility of systems and manufacturing processes.

Despite the end of Soviet competition, there are several good reasons to continue our strong emphasis on maintaining our technological edge. First, other nations will continue to make advanced systems and, in the shrinking international arms market, there will be an increasing likelihood of sales or diversions to irresponsible parties. Commercial technologies are at the heart of much of the military technological revolution. These developments will be readily available.

Second, the U.S. response in regional crises must be decisive, requiring a technological edge to win quickly. There are several reasons for this. During the Cold War, we prepared to repel a massive Soviet invasion of Europe. Outnumbered, our strategy for the opening phase of a war in Europe was defensive; we sought to delay Warsaw Pact forces until we could reinforce our positions. Americans understood that our long-term national survival was at stake and that a long, drawn-out war could result. Fundamentally, our goal was to deter rather than to win. In regional conflicts our stake will be less immediate, and political and strategic considerations will require a decisive outcome. We cannot afford to trade American lives with tyrants and aggressors who do not care about their own people, and we can afford to make them fight on our terms. This requires a continuing emphasis on technological superiority.

Finally, we may require advanced systems to deal with the proliferation of weapons of mass destruction, either to destroy them before they are used, to defend against them, or to win decisively to discourage others from contemplating their use.

As we reshape America's military and reduce its size, we must be careful that we do so in accordance with our new defense strategy and with a plan that will preserve the integrity of the

military capability we have so carefully built. The Gulf War and the regional strategy underscore the importance of preserving the high quality of our personnel and of retaining the lead in core military competencies. These include areas of warfare such as air superiority, armored warfare, missile defense, and submarine and anti-surface warfare. Our reductions will serve us ill if they damage the high quality force we have built or destroy the institutions that must develop the doctrine and tactics of the future.

There are those in Congress and elsewhere who now propose reductions in the defense budget that are simply too steep and too dangerous. Their proposals would end up destroying the finest military force this nation has ever fielded. If we try to reduce the force too quickly, we can break it. If we fail to fund the training and high quality we have come to expect, we will end up with an organization that may still outwardly look like a military, but that simply will not function. It will take a long time, lost lives, and many resources to rebuild; our nation's security will be hurt, not furthered, by such precipitous defense cuts.

If we choose wisely today, we can do well something America has always done badly before -- we can draw down our military force at a responsible rate that will not end up endangering our security. We did not do this well after World War II, and we found ourselves unprepared for the Korean war barely five years later. We did not draw down intelligently after Vietnam, and we found ourselves with the hollow forces of the late 1970s. We are determined to avoid repeating these costly errors.

Having been in this job a while now, I wanted to take a moment to comment on how you -- my friends on the Hill -- are doing as we redirect America's military for the post-Cold War world. These have been tough times when it comes to formulating defense policy, so I'm going to give you the benefit of the doubt. Many individual members have played courageous and statesman-like roles. Even so, looking at the Congress as a whole, it's not an encouraging picture. I do give you high marks, say, a B+, on the base closing commission -- while a tough decision, those closures will help us take money out of unneeded infrastructure and put it into essential military capability.

But that same type of congressional leadership has been missing from program cancellations. Congress has let me cancel some programs. But you've squabbled and bickered and horsetraded and ended up forcing me to spend money on weapons systems that just don't fill a vital need in these times of tight budgets and new requirements. You've directed me to buy the V-22, an unproven program that we cannot afford. You've directed me to buy C-130H aircraft, upgraded M1 tanks, and upgraded F-14 jets -- all good systems, but not the best use of our scarce funds. This is a waste: you get a C+ on program cancellations.

And it gets worse. On the issue of eliminating Reserve force structure that is no longer needed, you insisted on keeping forces that were configured for a different type of threat -- a different kind of strategic environment -- and these unneeded forces are consuming dollars I need for a balanced program. These reserve forces either provide support for active units that are being eliminated or were directed at countering a Warsaw Pact invasion into Central Europe. We need the Guard and Reserve, but not these excess units. On the active-reserve mix: you get a C-, and that's with grading on the curve.

Most outrageous is the pork. Congress has directed me to spend money on all kinds of things not related to defense, but mostly related to electoral politics. We shouldn't waste the taxpayer's money. In the defense rescission list, I am sending back to Congress each of these ridiculous expenditures. Congress has directed me to spend $129 million on grants to specified universities to be awarded non-competitively for subjects we don't need to study. Congress has added $12 million for four museums that honor fine aspects of defense, but this is not the type of thing we need to be spending money on in these days of tight defense budgets. Congress directed me to spend $61 million on unnecessary Meals Ready to Eat, when we're already having trouble giving MREs away.

As harmful as those who want us to keep unwanted programs in the defense budget are those who want us to cut too much. The nation faces a number of economic problems -- the burgeoning deficit is one of them. But proposals to undertake drastic defense cuts beyond the President's programs won't solve those problems. They will, however, endanger the force.

Under the President's budget, the share of GNP devoted to defense spending will have been cut by roughly half between FY 1986 and FY 1997. America can afford to spend 3.4 percent of GNP on defense. Meanwhile, since the mid-1970's, non-defense spending has been twice as large as defense spending, and is now three time as large and growing. There is little reason to expect that drastically cutting defense below the President's budget will lead to greater discipline on the significant growth in non-defense spending.

The decisions that we're going to make on the defense budget in the period immediately ahead have one very clear purpose: They are preparation for the next time we go to war. And there will be a next time. These decisions are not about jobs back home in some Congressman's district, not about political pork, not about the economic impact in the communities affected, although obviously, those are all important considerations. These decisions are about America's security, about deterring war, about winning decisively if war is forced upon us, and about saving the lives of the men and women of our fighting forces.

In the last conflict, we were blessed because the casualty levels were amazingly low; but it's important for us never to

forget that for the 146 Americans who were killed in action, and for their families, it was not a cheap or a low-cost conflict. When we think about the future and the budget debate on Capitol Hill in the months ahead, it's very important to remember that if we cut defense irresponsibly, if we do what we have done every time previously when we've been through one of these periods of radical force reductions, if we make the wrong decisions, then we will more likely go to war again; and when we do, there will be a lot more of our people who don't come home when it's over.

If we make the wrong choices now -- if we waste defense dollars on force structure we cannot support, or on more weapons than we need, or on bases we no longer require -- then the next time young Americans go into combat, we may suffer casualties that could have been avoided.

DEFENSE BUDGET TRENDS

The fiscal year 1993 budget request for the Department of Defense (DoD) is $267.6 billion in budget authority and $272.8 billion in outlays. Adjusting for inflation, this means a real decline in budget authority of 7 percent below the FY 1992 level enacted by Congress and 29 percent below FY 1985. For FY 1993 through FY 1997 DoD budget authority will decline, in real terms, an average 4 percent per year. By FY 1997 the cumulative real decline in budget authority since FY 1985 will total 37 percent. That will leave 1997, in inflation-adjusted budget authority, on a par with 1960, and only slightly higher than the nadir hit in 1974-76.

Defense outlays as a share of the U.S. Gross National Product (GNP) are expected to fall to 3.4 percent in FY 1997, well below any time since before World War II. By FY 1997 defense outlays should fall to 16 percent of total federal outlays, down from a post-Vietnam peak of 27 percent in 1987.

It is revealing to contrast trends in defense spending with other federal outlays. Under the President's defense request, by FY 1997 the cumulative real decline in defense outlays since FY 1985 will be 26 percent. Over the same period, mandatory federal spending is projected to increase in real terms about 33 percent and domestic discretionary outlays increase about 8 percent.

DoD's FY 1992-97 Future Years Defense Program (FYDP) has been reduced by $50.4 billion in budget authority below the levels, adjusted for inflation revisions, that were in last year's request and that were consistent with the budget summit levels. Over the six-year period, outlays would be cut $27.4 billion below last year's plan, revised for inflation.

OPERATION DESERT SHIELD/DESERT STORM

The topline budget figures in this document and its charts exclude the dollars appropriated to pay the incremental U.S.

costs of Operation Desert Shield and Desert Storm. Doing this is consistent with the 1990 Budget Enforcement Act, which mandated that U.S. spending on Desert Shield/Storm be treated as emergency funding requirements and not subject to the budget ceilings agreed by Congress and the Administration.

The Department estimates that the incremental U.S. costs of Desert Shield/Storm will not exceed $61.1 billion. To offset these incremental costs, our allies pledged to contribute $54.0 billion. Subtracting from the estimated incremental costs these allied contributions and the $1.2 billion in materiel losses that will not be replaced, the net cost to the U.S. for Desert Shield/Storm should not exceed $5.9 billion.

As of January 1992, allied contributions are $47.0 billion in cash and $5.6 billion in in-kind assistance, for a total of $52.6 billion.

FORCE STRUCTURE AND PERSONNEL

After being delayed by the Gulf War, force reductions are proceeding rapidly. By FY 1995, the U.S. military will be at the force structure of the Base Force, which will be about 25 percent smaller than force levels in FY 1990. That recommended Base Force structure assumes that future commitments of U.S. forces will be in partnership with other nations. It takes account of the contributions that could be made by our allies and friends.

The Base Force relies on both active and reserve components. Active forces will provide the primary capabilities for day-to-day operations, as well as most of the combat and support units needed for an initial response to regional contingencies. Reserve forces will provide other essential support units (in increasing numbers for extended confrontations), as well as combat units to augment and reinforce active forces in large or protracted confrontations and units to perform several missions well-suited to reserve forces -- including stateside air defense, civil affairs, and tactical air reconnaissance.

Implementation of the new defense strategy and Base Force concept will result in significant force reductions. But to preserve the quality and sufficiency of America's armed forces as we transition to these lower levels, and as we stay below the sharply lower defense spending levels proposed by President Bush, Congress must allow the Defense Department to:

- Terminate unneeded programs, and to do so without mandating a "soft landing" or year or two of respite;
- Close, consolidate, or realign military bases;
- Streamline our defense infrastructure and procedures;
- Reduce manpower without arbitrary restrictions; and
- Maintain proper balance between active and reserve forces.

Defense personnel totals will fall more rapidly than planned just a year ago. From its post-Vietnam peak of 2,174,000 in FY 1987, active military end strength will be down by 530,000 in FY 1995; by FY 1997 it will be 1,626,000--about 25 percent below the 1987 peak. In FY 1997, reserve personnel levels are planned to be 20 percent below FY 1987.

For America's armed forces to derive the maximum fighting power from its limited and declining personnel, reservists cannot be exempted from our planned streamlining. As we take down active forces, it is wasteful not to reduce the reserve elements assigned to support those forces. For example, with the elimination of six active Army divisions has to come elimination of the reserve logistics and service outfits that supported those divisions. Otherwise, those units will have no wartime mission, and their cost will displace genuine wartime needs.

In FY 1997 DoD civilian strength will fall to 904,000 -- about 20 percent below its FY 1987 post-Vietnam peak. This planned decrease reflects both the shrinking U.S. military strength and DoD management improvements.

ACQUISITION PROGRAM ADJUSTMENTS

The new program adjustments announced by President Bush are consistent with DoD's new acquisition philosophy and reflect the new global security environment.

B-2 Bomber. Capping procurement of the B-2 bomber at 20 aircraft is now possible because, with the transformation of the Soviet threat, America's strategic bomber force is far less likely to face the sophisticated air defenses for which it was designed. The current bomber force of B-1Bs and B-52s can be adapted to ensure that our total aircraft inventory has adequate capabilities for needed strategic nuclear and conventional missions. However, even though B-2 procurement is being curtailed, stealth remains a key advantage in warfare. The Department therefore will be initiating vigorous exploration of improved stealth technologies. Estimated net savings through 1997: $14.5 billion.

Completing production of 20 B-2 bombers is wise because it will make possible a supportable special-mission squadron of 16 aircraft, plus four aircraft as backup (for attrition, replacement of aircraft in maintenance, etc.). U.S. forces need this capability and the B-2's unique combination of payload, range, and stealth. Moreover, completing 20 aircraft makes the most of monies already committed to the program. Production of the final four B-2s began with FY 1990 advance procurement funding. Through FY 1992 the Department will have invested nearly $2 billion for materials, subassemblies, and initial manufacturing activities for these four aircraft, and they are now over 20 percent complete.

SSN-21 Attack Submarine. The SSN-21 Seawolf is being terminated because the Soviet Union's collapse greatly reduces the U.S. priority given to "blue-water" antisubmarine (ASW) systems and to countering foreign ballistic missile submarines (SSBNs). The improved SSN-688 submarine is among the most capable in the world and will serve the nation well for many years more. To conserve scarce shipbuilding resources, DoD plans to adopt a lower-cost design that will enable it to modernize, yet maintain adequate submarine force levels. DoD also will continue to develop other ASW systems. Only the one SSN-21 already funded will be completed. Estimated net acquisition savings through 1997: $17.5 billion.

Comanche Helicopter. With their focus shifted from a Soviet threat to regional contingencies, U.S. forces can be supported adequately with the existing Apache helicopter fleet (with the planned Longbow fire control radar upgrade), other very capable helicopters, and greater use of unmanned aerial vehicles. DoD therefore will restructure the Comanche light helicopter development program. The focus will be on building prototypes of the Comanche and emphasizing further development of its avionics, an upgraded engine, and a Longbow system for it. Estimated net savings through 1997: $3.4 billion.

Small ICBM. With the Soviet strategic nuclear threat greatly diminished and U.S. strategic offensive forces highly capable and modern, America's need for a land-based small ICBM is low. Silo-based Peacekeeper and Minuteman III missiles will keep this leg of the U.S. strategic nuclear triad credible well into the future. Accordingly, DoD will terminate development of the small ICBM. To help compensate however, for Minuteman IIIs DoD will fund an improved guidance system, other upgrades, and various measures to extend their service life. Estimated net savings through 1997: $1.0 billion.

ADATS. Because non-Soviet air threats to U.S. ground forces are limited in number and capability, U.S. forces should be able to maintain adequate air defense assets (air defense fighters, Patriot, Hawk, Stinger, etc.), notwithstanding termination of the Army's air defense antitank system (ADATS). To compensate, DoD will initiate development of an improved antiaircraft seeker and several advanced guidance technologies. Estimated net savings through 1997: $1.7 billion.

Other adjustments. The budget also proposes to end procurement of the Advanced Cruise Missile (ACM) at 640 missiles, vice the 1000 previously planned; proceed with RDT&E, but not procurement for the Navy's Fixed Distribution System (FDS); forego entry into engineering and manufacturing development for the Advanced Air-to-Air Missile (AAAM); defer funding for Block III tank development beyond the FYDP; and stretch out RDT&E and postpone procurement for the Army's line of sight antitank (LOSAT) program.

For these new FY 1993 major program adjustments, the cumulative net savings through 1997 will be $42.1 billion.

Previously planned major program terminations in the FY 1993 defense request will save an added $7.4 billion in FY 1993-97.

The new program adjustments highlighted above come on top of DoD's earlier program terminations. In the previous two years, we have terminated over 100 weapons programs, including the Apache helicopter, M-1 tank, TRIDENT submarine, F-14D remanufacture, F-15, F-16, Naval Advanced Tactical Fighter, A-12 stealth aircraft, and Peacekeeper missile.

BUDGET RESCISSIONS AND ENVIRONMENTAL NEEDS

Savings from DoD's new program terminations are reflected in the budget request's proposed rescissions, which total $7.7 billion for FY 1992. In addition to these terminations, the rescission proposal includes numerous programs that DoD did not request and that do not address genuine defense needs. Congressional support of these rescissions is essential, if DoD is to make the most of ever-diminishing defense resources.

The rescission request will not only prevent spending on unnecessary programs, it also will help fund DoD environmental needs, which have grown considerably. Our planned budget authority for environmental programs for FY 1993 is $3.7 billion. Increased environmental spending supported by these rescissions will enable DoD to accelerate its cleanup work at previously contaminated sites, more carefully ensure compliance with environmental regulations, and increase pollution prevention and protection of natural and cultural resources.

OTHER FY 1993 DEFENSE BUDGET HIGHLIGHTS

Readiness. The FY 1993 request provides for the training, maintenance, and other requirements needed to continue the high readiness achieved by U.S. forces over the past decade. Active Army ground and air training operations are kept at 800 miles per year for combat vehicles and 14.5 tactical flying hours per month for crew. Navy steaming days remain at 50.5/29.0 days per quarter for the deployed/non-deployed fleets. Flying hours for active Air Force tactical air crews will hold at about 21 hours per month.

Nuclear forces and strategic defense. The budget request carries forward changes in America's nuclear posture called for by the START Treaty and by President Bush's initiatives. Funding for strategic defense programs remains a high priority with a request for $5.4 billion in budget authority in FY 1993, up from $4.1 billion in FY 1992. The FY 1993 request includes $1 billion for Theater Missile Defense programs.

Research, Development, Test and Evaluation (RDT&E). Reflecting DoD's emphasis on leading-edge research, funding for Science and Technology -- which is research not geared to a specific weapon -- will climb to $12.0 billion, from $10.6 billion in FY 1992. Total RDT&E will experience 1.5 percent real growth in FY 1993.

National Defense Stockpile. Largely because of Congressional restrictions on its acquisition and disposal actions, the National Defense Stockpile (NDS) now contains about $7 billion worth of materials excess to DoD requirements for full-scale military mobilization. Yet Congress is still requiring DoD to upgrade certain NDS metals, already in excess of requirements by 1.3 million tons, at a price exceeding the open market by 64 percent. To reverse this waste, DoD has proposed legislation to enable it to sell up to $650 million of excess materials per year and to use the proceeds and available cash balances to fund high priority environmental projects. The Department also seeks legislation permitting the Secretary to impose a moratorium on unneeded NDS purchases.

Base closure and realignment. The Department's recent announcement brings to 441 the number of overseas bases and sites that will be returned to host nations, with another 51 that will be reduced or placed in standby status. These announced actions affect about 30 percent of the U.S. overseas base structure. Eventually DoD expects to reduce its overseas base structure by almost 40 percent. The 1988 and 1991 base closure commissions have closed or realigned about 9 percent of the domestic military base structure. However, there is still more to do to bring the domestic base structure in line with planned force reductions and to avoid wasting money on unneeded defense infrastructure.

DEFENSE MANAGEMENT

Forceful and imaginative management is critical to the challenge of streamlining America's defense posture wisely and making the most of our diminishing budgets. The Department's guide for doing that continues to be the framework that grew out of my July 1989 Defense Management Report (DMR). The philosophy behind our DMR-related management improvements is to centralize policies, standardize and simplify procedures and systems, and decentralize execution and implementation. We are working to improve operations and cut costs by streamlining management structures, cutting excess infrastructure, eliminating redundancies, and initiating sound business practices throughout DoD.

. In reforming defense acquisition, we have examined 500 directives and identified almost 400 for cancellation, consolidation, or revision to make them less burdensome. We have reviewed over 35,000 military specifications and standards, and are working to replace as many as possible with commercial item descriptions. We are pursuing multiple paths to improve the quality and professionalism of our acquisition work force. Finally, we are experimenting with various private sector techniques to improve our management of defense programs. For example, a Defense Business Operations Fund has been established to make more visible to DoD managers the complete cost of their

organizational outputs, thereby facilitating more informed decision making.

Other initiatives include:

• Creation of the Defense Finance and Accounting Service (DFAS) to improve these services and reduce costs.

• Creation of the Defense Commissary Agency to provide the centralized management necessary to achieve the economies available to large supermarket chains.

• Consolidation of most DoD contract administration under the new Defense Contract Management Command.

• Increased competition between supply depots and better utilization of depot capacity.

• A Corporate Information Management initiative to integrate and streamline a multitude of DoD business functions.

• Consolidation of general supply functions under the Defense Logistics Agency.

• Improved management of and reduction to DoD logistics inventories.

• Consolidation of Army intelligence activities and streamlining of the Army's Criminal Investigative Command.

DMR-related management improvements throughout DoD will result in FY 1991-97 savings of about $70 billion.

CONCLUSION

The decisions on defense that Congress faces in the coming months are at least as important as those made at the height of the Cold War. We are going through an historic transformation which will determine how well prepared our nation will be for future security crises. I look forward to working with this committee to ensure that we carry out this transformation as wisely as possible.

DOD BUDGET AUTHORITY
($ Billions)

	1992	1993	1994	1995	1996	1997	CUM 92-97
President's FY 1992 Budget	**278.3**	**277.9**	**278.2**	**280.7**	**282.6**	**287.4**	
Adjusted Summit Level	277.5	275.6	275.8	278.3	279.9	284.6	(-13.4)
Program Adjustments (Rescissions/Supplemental)	-6.6	-8.0	-8.0	-8.4	-9.5	-10.0	-50.4
President's FY 1993 DoD Budget	**270.9** *	**267.6**	**267.8**	**269.9**	**270.4**	**274.6**	**(-63.8)**

* Excludes cost of Desert Shield/Desert Storm.

Notional Futures: Summer of 1990

1990 Climate
- --Negotiating CFE & START
- --E-Eur
- --PACT Dissolved
- --SU Withdrawing
- --NATO/Far East Alliance Coping
- --Mid-East Uneasy

THREATENING SOVIET UNION

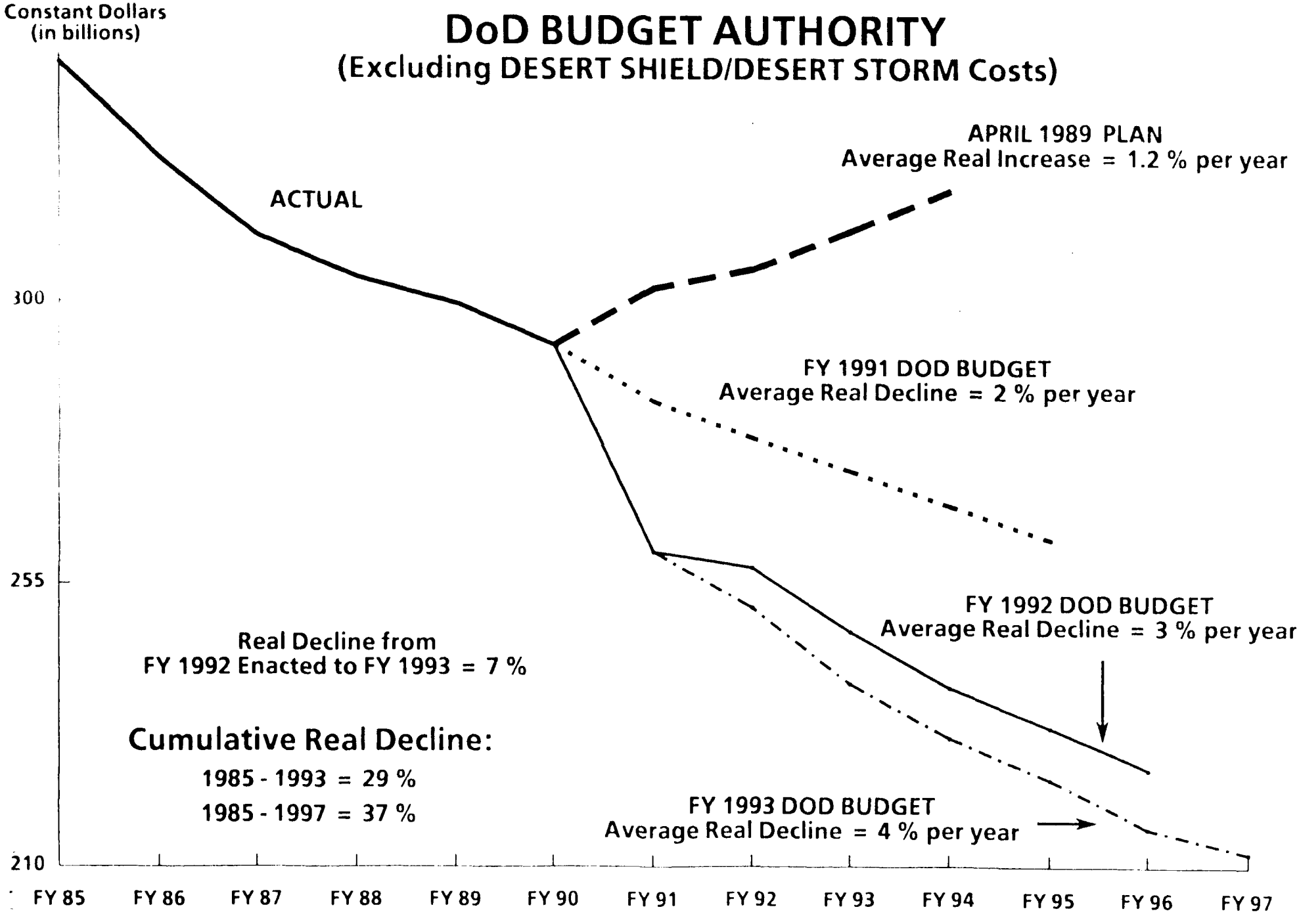
STRESSING THIRD WORLD

Soviet Progress Slowed
- --SU Mil. Reduction Stop
- --No CFE, No START II
- --Pol. & Econ Reforms Halted
- --Possible Variants:
  - ---SU Mil Rebuilds, Postured for Attack on Flanks, SWA
  - ---*Repression of Nationalities*
  - ---Civil War

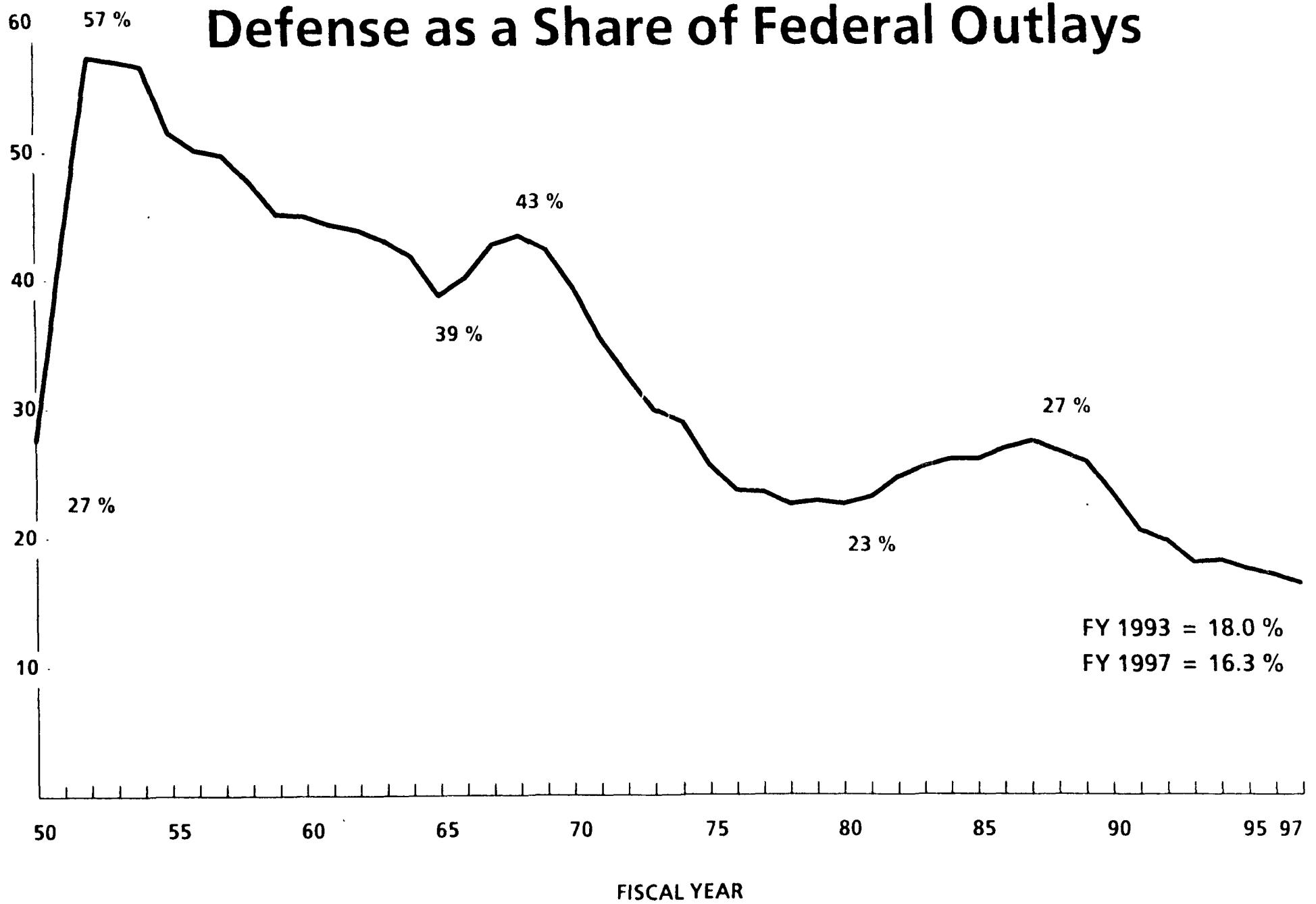
Non-Soviet Challenges Increase
- --Sustained Minor Crises Stretch Forces
- --Looming Major Regional Crisis
- --Alliances Collapse

1995

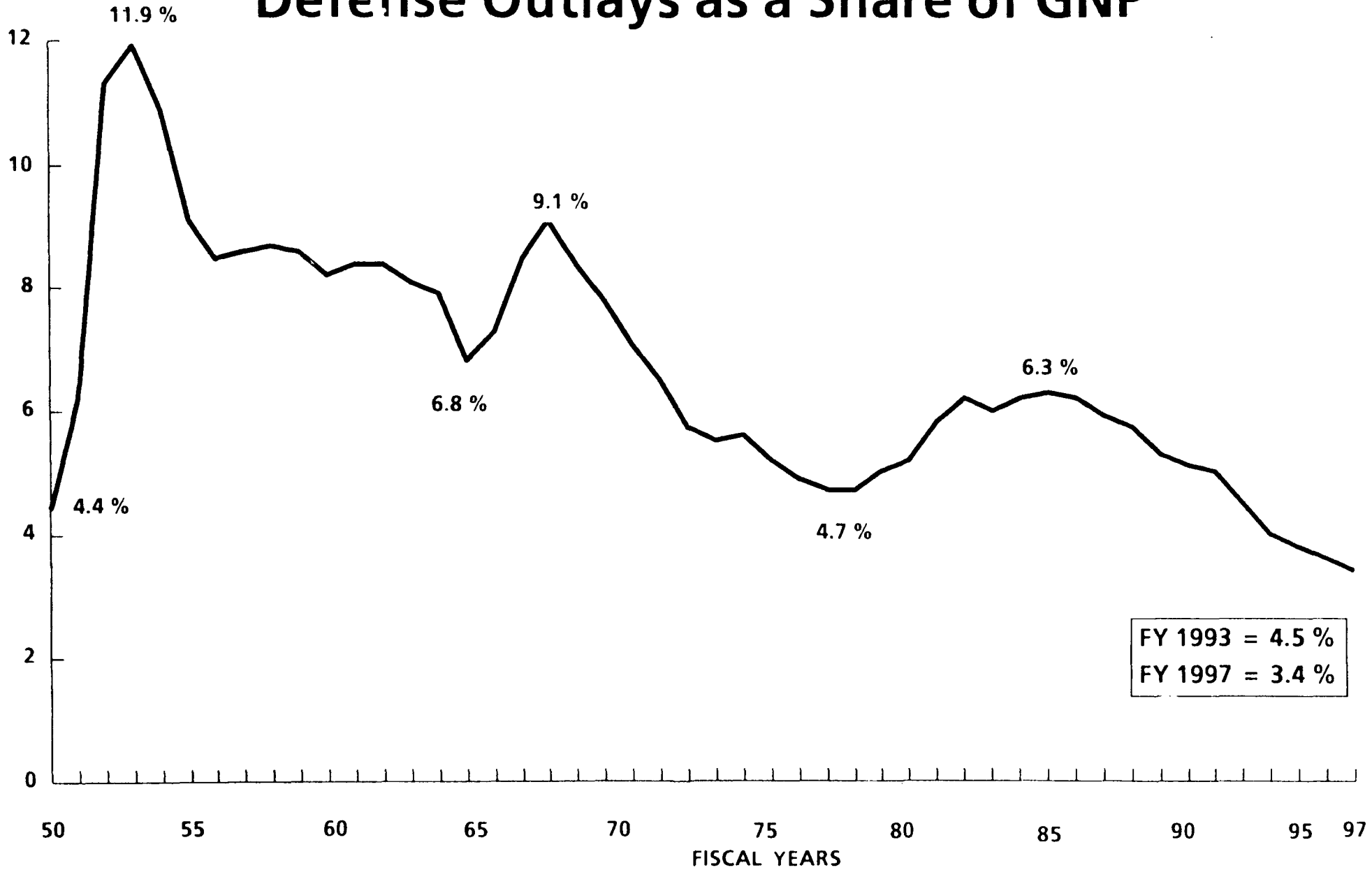
Mid-90s Planning Climate
- --SU Reforms Continue
- --CFE II & START II in Train
- --SU Mil. & Retrenchment Continues
- --E-Eur Militarily Independent
- --SWA Policy Focus Shifted
- --US Alliances and Some FWD Presence Sustained


Constant Dollars
(in billions)
DoD BUDGET AUTHORITY
(Excluding DESERT SHIELD/DESERT STORM Costs)
APRIL 1989 PLAN
Average Real Increase = 1.2 % per year
ACTUAL
300
FY 1991 DOD BUDGET
Average Real Decline = 2 % per year
255
FY 1992 DOD BUDGET
Average Real Decline = 3 % per year
Real Decline from
FY 1992 Enacted to FY 1993 = 7 %
Cumulative Real Decline:
1985 - 1993 = 29 %
1985 - 1997 = 37 %
FY 1993 DOD BUDGET
Average Real Decline = 4 % per year
210
FY 85
FY 86
FY 87
FY 88
FY 89
FY 90
FY 91
FY 92
FY 93
FY 94
FY 95
FY 96
FY 97

Defense as a Share of Federal Outlays

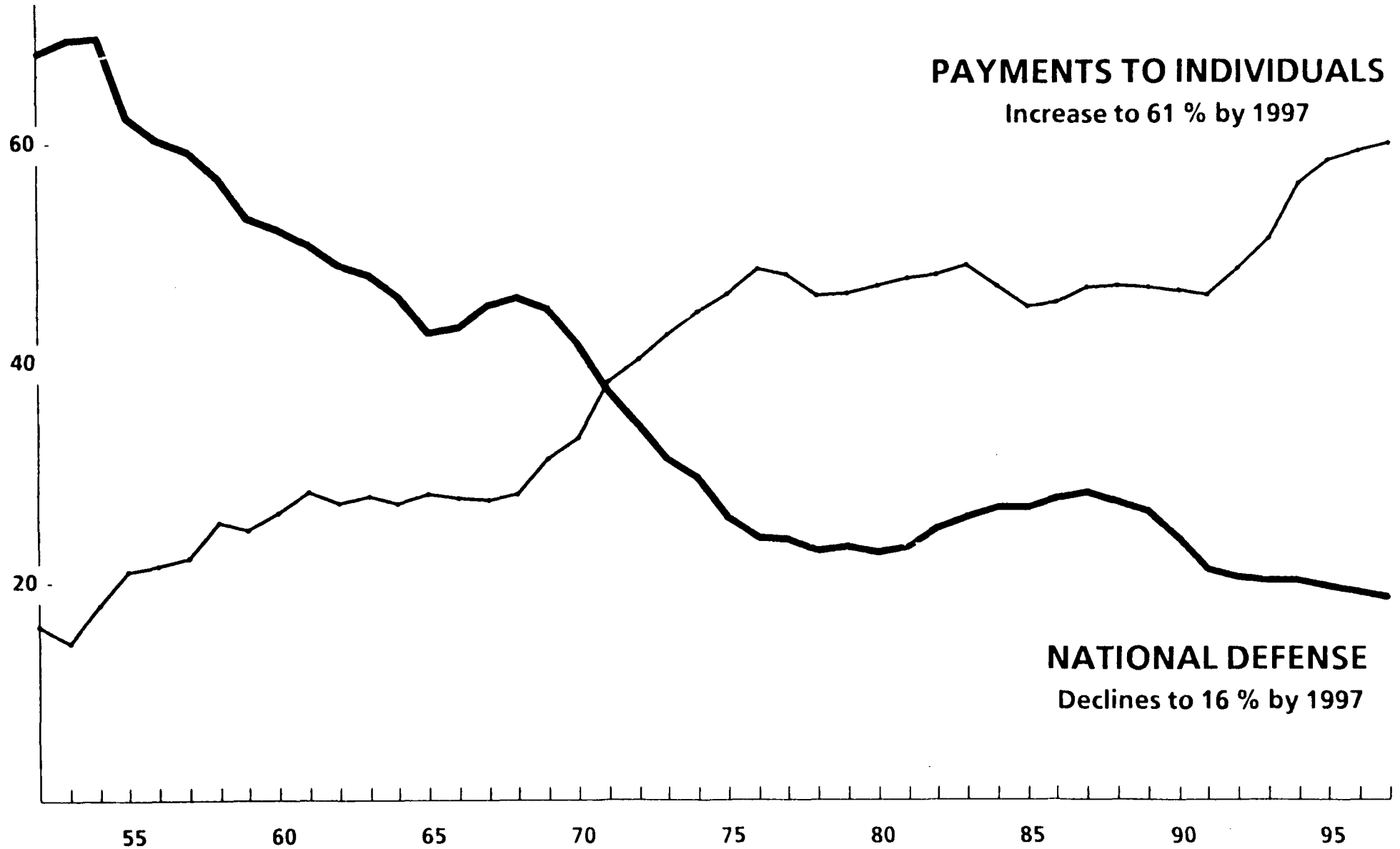


Defense Outlays as a Share of GNP

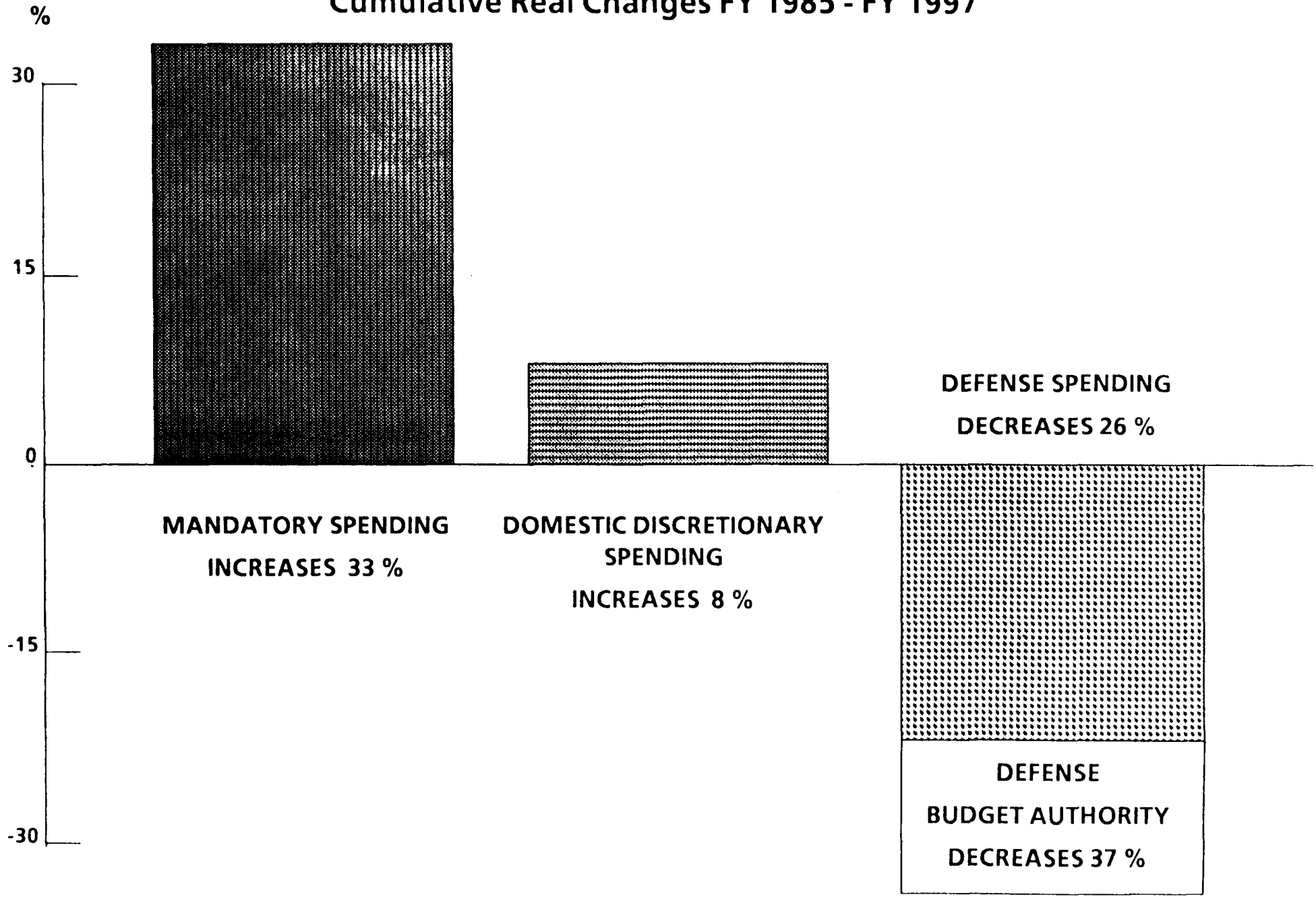


NATIONAL DEFENSE & PAYMENTS TO INDIVIDUALS

(as a Percent of Total Federal Spending)



DOMESTIC DISCRETIONARY, DEFENSE AND MANDATORY OUTLAYS
Cumulative Real Changes FY 1985 - FY 1997



IMPACT OF NEW ACQUISITION APPROACH
($ in BILLIONS)

	Prior Years	FY 93	Cumulative Through 1997
B-2/Stealth Technology		-0.6	-14.5
SSN-21 Submarine /Submarine Technology	-3.4	-2.5	-17.5
Comanche Helicopter/LH Prototype		-0.1	-3.4
SICBM/Improved Guidance	-0.2	-0.6	-1.0
ADATS Air Defense System/Anti-Aircraft Seekers		-0.2	-1.7
ACM Missile/Cruise Missile Targeting		-0.4	-1.3
FDS Sensor /Mobile Sonar		--	-0.7
AAAM Missile/Air-to-Air Seeker & Propulsion		-0.1	-0.6
BLOCK III TANK		--	-0.4
LOSAT Missile		--	-0.9
TOTAL ADJUSTMENTS	**-3.6**	**-4.4**	**-42.1**

PROGRAM TERMINATIONS IN FY 1993 BUDGET

($ in Millions)

	Reductions to FY 1992 Budget Level	
	FY 1993	FY 1993-1997
• Tow Sight Improvement Program	-58	-255
• LAMP-H (Landing Craft)	-11	-98
• HARM Missile	-71	-511
• Supersonic Low Altitude Target	-279	-302
• Closed Cycle ADCAP Propulsion System	-35	-127
• SQY-1 ASW Combat System	-211	-893
• MK-50 Vertical Launch ASROC	-37	-91
• SH-2 SLEP	-73	-147
• ARS Class Salvage Ship	-	-334
• E-2C Early Warning Aircraft	-444	-444
• LSD-41 Amphibious Ship	-251	-251
• * Peacekeeper Rail Garrison	-100	-202
• * SRAM II Strategic Missile	-259	-1,218
• SRAM-T Tactical Missile	-107	-441
• * Mobile Small ICBM (Launcher)	-291	-672
• Space Based Wide Area Surveillance	-29	-195
• KC-135 Reengining	-92	-1,128
Total	**-2,348**	**-7,309**

* Presidents's Nuclear Initiative September 27, 1991

MAJOR PROGRAM TERMINATIONS IN FY 1991-1992 BUDGETS

DoD has recommended terminating over 100 weapon programs including:

- Apache Helicopter
- M-1 Tank
- TRIDENT Submarine
- F-14D Fighter
- F-15 Fighter
- F-16 Aircraft
- Naval Advanced Tactical Fighter
- A-12 Aircraft and Air Force Advanced Tactical Aircraft
- PEACEKEEPER Missiles

MAJOR SYSTEMS IN THE FY 1993 BUDGET

($ Billions)

	FY 1993
• Strategic Defense Initiative	5.4
• Advanced Tactical Fighter (F-22)	2.2
• DDG-51 Destroyer	3.5
• C-17 Aircraft	2.9
• MILSTAR Satellite	1.3
• UH-60 Helicopter	0.4
• B-2 Bomber	4.0
• F/A-18 Aircraft	3.0
• Trident II Missiles	1.1
• Joint Stars (E-8B) Aircraft	0.7
• RAH-66 Comanche Helicopter	0.4

MANPOWER
(End Strength In Thousands)

	FY 1987	87-95 DELTA	FY 1995	FY 1997	Total Reduction 87-97
ACTIVE MILITARY					
ARMY	781	-245	536	536	-245
NAVY	587	-78	509	501	-86
MARINE CORPS	199	-29	170	159	-40
AIR FORCE	607	-178	429	430	-177
TOTAL ACTIVE	**2,174**	**-530**	**1,644**	**1,626**	**-548**
SELECTED RESERVES	**1,151**	**-229**	**922**	**920**	**-231**
CIVILIANS	**1,133**	**-221**	**912**	**904**	**-229**